



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION

JL 8 887

SUMMARY: Clarification of effective date for rescission of guidance concerning interest rebates to secure "cures."

Dear Guaranty Agency Director:

On June 27, we notified you of the rescission of guidance issued by the Department in December 1994 that allowed a due diligence or timely filing violation on an FFELP loan to be "cured" by means of the lender offering to waive a portion of the accrued interest outstanding if the borrower made a curing payment or signed a new repayment agreement.

Although our intention when rescinding this guidance was to not permit further cures in cases where the lender's offer was made on or after July 1, 1997, our June 27 letter did not make that effective date clear. Cures achieved on the basis of offers made to borrowers before July 1, 1997 will continue to be permitted in accordance with our previous guidance. However, no cure will be acceptable if accomplished in response to an offer similar to that which was permitted under our 1994 guidance, if the lender's offer to waive interest is extended to a borrower on or after July 1, 1997.

I trust this clarification addresses questions you may have had. This letter has also been sent to each regional office of the Department, plus the National Council of Higher Education Loan Programs, Inc., and the Consumer Bankers Association.

Sincerely,

Pamela A. Moran
Chief, Loans Branch
Policy Development Division
Student Financial Assistance Programs

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